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C O N F I D E N T I A L SECTION 01 OF 02 PANAMA 002309

SIPDIS

DEPARTMENT FOR WHA/CCA AND WHA/CEN
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TAGS: [ETRD](#) [ETTC](#) [PGOV](#) [PREL](#) [PM](#) [CU](#) [POLITICS](#) [FOREIGN POLICY](#)

SUBJECT: PANAMA AND CUBA: NSC-DIRECTED REVIEW REGARDING

SUSPENSION OF TITLE III OF THE LIBERTAD ACT

REF: A. STATE 207359
[B.](#) 04 PANAMA 02943
[C.](#) PANAMA 1416
[D.](#) PANAMA 1818
[E.](#) PANAMA 1205
[F.](#) 04 PANAMA 2943

Classified By: DCM Luis Arreaga for Reasons 1.4 (b) & (d).

[¶1.](#) (SBU) Embassy Panama offers the following information and analysis in response to Reftel A tasking.

CUBA AND PANAMANIAN POLITICS

[¶2.](#) (C) On August 20, 2005, the GOP and Cuba reestablished full diplomatic ties with the signing of diplomatic notes in Havana, Cuba (Reftel C). Prior to the re-establishment of full diplomatic ties, the GOP and Cuba had maintained only consular relations since August 2004. Cuba broke off full diplomatic relations in August 2004 when, on August 25, Panamanian President Mireya Moscoso pardoned four anti-Castro Cubans, including Luis Posada Carriles, convicted for conspiracy, possession of explosives, and endangering public security in connection to an alleged plot to assassinate Cuban President Fidel Castro (Reftel B). Panamanian President Martin Torrijos entered office on September 1, 2004 pledging to improve relations with Cuba, and took steps towards that end with the re-establishment of full diplomatic relations. Torrijos' step can be understood in the context of his administration's overall outward-reaching regional foreign policy designed to promote Panama as a regional leader, and designed to compensate for unpopular domestic policies. Senior officials in Panama's MFA have consistently explained to Embassy Panama that the GOP's step toward reestablishing ties with Cuba was an act of constructive engagement.

[¶3.](#) (C) In a November 18 conversation with PolOffs, MFA Deputy Foreign Policy Director Vladimir Franco said that little had changed in the GOP's relationship with Cuba since August 2005. (Note: Franco specializes in North American affairs and has questionable social ties to Cuban officials in Panama. End note.) Franco explained that Fidel Castro remained only "cordial" with GOP officials, and described the relationship as "still having a certain coldness." On August 22, senior MFA Advisor Nils Castro explained to PolOff that Fidel Castro did not appear ready to forgive the Torrijos administration for the Moscoso pardoning of Posada Carriles and three others (Reftel D). Franco said that Fidel Castro believed Torrijos, who Franco described as attempting to remain neutral on the issue, did not denounce strongly enough Moscoso's pardoning of the convicted criminals. He added, however, that Cuba's vice president maintained good relations with GOP officials with some apparent apprehension of and deference to the attitude of "El Jefe." Since the exchange of diplomatic notes leading to re-establishment of full diplomatic relations, the two countries had exchanged no other high-level delegations, with the exception of the recent arrival of Panama's ambassador to Cuba. Franco said it was still unclear how warmly Panama's ambassador would be received in Cuba. (Note: Cuba's Consul General in Panama was promoted to ambassador. End Note.)

[¶4.](#) (C) According to Franco, trade with Cuba and Cuban investment in Panama, mainly in the Colon Free Zone, had not been negatively affected by the cooling of relations. Franco said the GOP was unhappy with the presence of Cuban intelligence in Panama. Panama continues to send a few dozen underprivileged medical students to Cuba for studies, and, according to Franco, Venezuela now funded travel to Cuba for Panamanians who could not afford cataract eye surgery, which was then provided by the Cuban government. Franco said that this did not directly involve the GOP, but was a program individual Panamanians could opt to participate in.

[¶5.](#) (C) On human rights, Franco said that the GOP did not intend to make any formal statements of condemnation regarding abuses in Cuba. He said the GOP did not believe it was constructive to belabor Cuba, or other Central American countries, over human rights issues. Franco added that the GOP supports Cuba's transition to a democracy, but that the GOP preferred to maintain open lines of communication with

Cuba. Panama has routinely supported initiatives in multilateral fora to promote human rights or to condemn abuses worldwide. In the recent past the GOP has not publicly criticized Cuba for human rights abuses. Panama has consistently joined its neighbors in the region by following majority decisions on sensitive Cuba issues in multilateral fora.

BILATERAL TRADE WITH CUBA AND INVESTMENT

16. (U) Panama's official trade figures suggest that the country's trade with Cuba is minuscule. Panama's exports to Cuba typically represent less than 0.5% of total exports, while imports from Cuba amount to less than 0.1% of Panama's total. In 2004, Panama exported \$730,000 in merchandise to Cuba, representing only 0.1% of total exports of about \$890 million. Likewise, Panama imported only about \$449,000 worth of Cuban products, representing 0.01% of Panama's total imports of nearly \$3.6 billion. The GOP's preliminary trade figures for January through September 2005 show that Panama exported \$371,000 in products to Cuba. During the same period, imports from Cuba jumped about 20-fold over 2004 levels, rising to more than \$10 million, which represents about 1.3% of Panama's total imports. This appears to be due primarily to a significant increase in imports of raw construction materials (i.e., gravel) from Cuba, driven by this year's boom in construction in Panama. Imports of Cuban pharmaceutical and tobacco products also saw significant increases in 2005.

17. (U) Cuba's principal economic connection with Panama remains its use of the Colon Free Zone (CFZ, technically outside of the Customs territory of Panama) where it is a large customer (Reftel E). From January through September 2004, Cuba bought \$131 million worth of merchandise through the CFZ where financing is relatively easy to obtain. This amount is roughly 3.4% of CFZ re-exports. Cuban exports to the CFZ are so minimal that country is not included on the CFZ's list of exporting countries. (Note: more recent bilateral trade figures for the CFZ are not yet available. End note).

18. (SBU) As Post reported previously (Reftels E and F), overdue Cuban accounts receivable were estimated to exceed \$200 million as of late 2004. Panamanian CFZ companies holding these large debts sometimes seek to restrain local criticism of GOC policies, as they want to avoid Cuban default on these payments.

19. (C) Although the GOP does not maintain data on Panamanian investments in Cuba, anecdotal reports suggest that such investment is minimal. It is believed that fears of a potential GOC takeover of profitable businesses tend to chill the enthusiasm of prospective Panamanian investors in Cuba.

EATON